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**State of New Jersey
State Police
Retirement
System**



August 2001

**Department of the Treasury
Division of Pensions and Benefits**

FOREWARD

The *New Jersey State Police Retirement System Member Handbook* has been revised to incorporate the changes to the retirement system made since the last version was published in 1996. The *Member Handbook* provides a summary description of the benefits of the plan, and outlines the rules and regulations governing the plan. The *Member Handbook* should provide you with all the information you need about your State Police Retirement System (SPRS) benefits. It is as accurate as we could make it; however, if there is a conflict with statutes governing the plan or regulations implementing the statutes, the statutes and regulations will take precedence. If you are unsure of or have any questions about any aspect of your SPRS benefits, you should ask your employer representative or a counselor at the Division of Pensions and Benefits about them.

Since this is your *Member Handbook*, we would appreciate any comments or suggestions for improvement that you might have. Please send them to the following address:

Division of Pensions and Benefits
ATTN: Publications Unit
P.O. Box 295
Trenton, NJ 08625-0295

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State of New Jersey
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STATE POLICE RETIREMENT SYSTEM (SPRS)

as of August 1, 2001

The purpose of this booklet is to provide you with information about the retirement system and to assist you in making decisions concerning your future and your family's future.

A current, updated version of this booklet can be found on the Internet at www.state.nj.us/treasury/pensions/sprsmen.htm. Be sure to check in on the Division of Pensions and Benefits homepage www.state.nj.us/treasury/pensions to learn of any new developments affecting the State Police Retirement System (SPRS). If, after reading the information in this handbook, you have further questions concerning the retirement system, or your benefits, see page 19 for information on contacting the Division of Pensions and Benefits.

THE RETIREMENT SYSTEM

The SPRS was established in 1965 as the successor to the State Police Retirement and Benevolent Fund (SPRBF). The Division of Pensions and Benefits is assigned all administrative functions of the retirement system except for investment. The SPRS Board of Trustees has the responsibility for the proper operation of the retirement system. The Board consists of two active or retired members appointed by the Superintendent of the State Police, the State Treasurer, and two members appointed by the Governor with the advice and consent of the Senate. The Board meets quarterly.

MEMBERSHIP

Eligibility Criteria

All members of the State Police Retirement and Benevolent Fund became members of the SPRS in 1965. All individuals who become full-time troopers or commissioned or noncommissioned officers of the Division of State Police after July 1, 1965 must enroll in the SPRS.

ENROLLMENT

Enrollment/Certification of Payroll Deductions

Both you and your employer must complete an enrollment application for you to enroll in the retirement system.* Your employer will send the completed application to the Division of Pensions and Benefits for processing. When processing is complete, you and

**If you are currently active in another New Jersey State-administered retirement system and wish to transfer your service credit to the SPRS, see "Transfers" in the next section and "Service Credit" on page 2.*

your employer will receive a *Certification of Payroll Deductions* showing the date deductions will begin, your rate of contribution, and any back deductions that may be due. You should check the *Certification of Payroll Deductions* for accuracy of your name, Social Security number, and date of birth. This will prevent future errors or delays in the processing of loans, retirement, etc.

It is important to keep the *Certification of Payroll Deductions* on file with your other important papers so that you have a record of the date of your enrollment in the retirement system.

Proof of Age

As a member of the SPRS, you must provide proof of your age. It is recommended that this be done at the time of enrollment. Acceptable evidence of your age includes a copy of:

- your birth certificate;
- your baptismal certificate;
- your passport;
- naturalization or immigration papers; or
- certain other records including military records, census records, school or business records, age recorded on marriage licenses and insurance, or children's birth records.

You should attach a non-returnable photocopy of your proof of age to your enrollment application.

Contribution Rate

The contribution rate in the SPRS is 7.5 percent of your base salary.

Base salary for contribution purposes does not include overtime, bonuses, maintenance, clothing allowance, or money you receive in anticipation of retirement. Your pension contributions are deducted from your salary and reported to the SPRS by your employer.

Since January 1, 1987, your mandatory pension contributions have been federally tax deferred. Under the 414(h) provisions of the Internal Revenue Code, this reduces your gross wages subject to federal income tax. Purchases of service credit are voluntary pension contributions and are not tax deferred. Contributions are not tax deferred from NJ State income tax.

TRANSFERS

Interfund Transfers

If you are transferring your membership account from another NJ State-administered retirement system, an enrollment application for the SPRS and an *Application for Interfund Transfer* should be submitted by your employer to the Division of Pensions and Benefits when you meet the eligibility requirements of the new SPRS.

If you terminate your current position covered by the SPRS and accept another position covered by a different New Jersey State-administered retirement system, you may transfer your contributions and service credit to the new retirement system provided:

- you have not withdrawn your membership nor has your account expired (see page 16); and
- you meet the eligibility requirements of the second system.

SERVICE CREDIT

Since your retirement benefits are based in part on accumulated service credit, it is important that you receive the appropriate amount of credit for the amount of time you work. You receive one pay period of service credit for each pay period a full pension contribution is made.

Service credit established under another State-administered retirement system (such as the Police and Firemen's Retirement System or the Public Employees' Retirement System) may be purchased or transferred for credit in the SPRS. This service, however, is not equivalent to regular SPRS service. It cannot be used to qualify for a Service or Special Retirement. It can be used, however, in the computation of a retirement allowance on the basis of one percent of Final Compensation for each year of such service credit.*

**See the discussion of the different "Types of Retirement" beginning on page 5 for possible limits on the use of other service to increase your pension allowance. Other service credit transferred to your SPRS membership can be used to meet the 25-year requirement for State-paid health benefits coverage in retirement.*

VESTING

Being vested in the SPRS means that you are guaranteed the right to receive a retirement benefit when you reach age 55. You are vested in the SPRS after you have attained ten years of service credit.

If you terminate employment before retiring, your options vary depending on your vesting status at the time of your termination.

If you are vested when you terminate employment, you could apply for a Deferred Retirement with payments to begin at age 55 (see "Deferred Retirement" on page 6).

If you are not vested before you terminate, you will not be eligible to receive a monthly retirement benefit, unless you are age 53 or older, or eligible for a disability retirement benefit.

When you terminate employment before vesting, you can choose to:

- make an immediate withdrawal of your contributions; or
- leave your contributions on deposit with the SPRS and retain all the service credit you have earned, in the event you return to covered employment and resume membership. As a general rule, if you do not resume active membership within two years, your account will automatically expire and you will be notified to withdraw your contributions.

If your account expires or you elect to withdraw your personal contributions, all service credit represented by the refund is cancelled. If you later return to covered employment, you may then purchase the service to have it credited to your new account (see "Purchasing Service Credit" below).

CREDIT FOR MILITARY SERVICE AFTER ENROLLMENT

The federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) provides that a member who leaves employment to serve on active military duty is entitled to certain pension rights upon return to employment with the same employer. Military service on or after October 13, 1994, is to count for vesting and retirement qualification purposes, as though the employee had not left; however, the member will have to make the pension contributions normally required to have the military service time included in the calculation of the retirement benefit.

PURCHASING SERVICE CREDIT

Since your retirement allowance is based in part on the amount of service credit posted to your account at the time of retirement, it may be beneficial for you to purchase additional service credit if you are eligible to do so. Only active members of the retirement system are permitted to purchase service credit. An active member is one who has not retired or withdrawn, and who has made a contribution to the retirement system within two years of the purchase request. In no case can you receive more than one year of service credit for any calendar or fiscal year. Partial purchases are permitted.

TYPES OF SERVICE ELIGIBLE FOR PURCHASE

Former Membership in the State Police Retirement System

This includes all service credited under a previous membership in the SPRS which has been terminated after two consecutive years of inactivity in accordance with statute or withdrawal by the member of the contributions made under such membership.

Former Membership Service

This includes all service credited under a previous membership in another New Jersey public retirement system (i.e., Public Employees' Retirement System, Teachers' Pension and Annuity Fund, Police and Firemen's Retirement System), which has been terminated after two consecutive years of inactivity in accordance with statute or by withdrawal by the member of the contributions made under such membership. This service cannot be used to qualify for a Service or Special Retirement. It can be used, however, in the computation of a retirement allowance on the basis of one percent of Final Compensation for each year of such service credit.*

**See the discussion of the different "Types of Retirement" beginning on page 5 for possible limits on the use of other service to increase your pension allowance. Other service credit transferred to your SPRS membership can be used to meet the 25-year requirement for State-paid health benefits coverage in retirement.*

Leave of Absence without Pay

You are eligible to purchase official leaves of absence without pay. You may purchase up to two years for personal illness and up to three months for personal reasons.

- Maternity-leave is considered personal illness. A certification from a physician that a member was disabled due to pregnancy and resulting disability for the period in excess of three months is required. Otherwise, three months is the maximum period of purchase for maternity.
- Child-care leave may be eligible for purchase as a leave for personal reasons.
- A leave of absence without pay under a former membership may be eligible for purchase.

All purchases of leaves of absence must be requested within 12 months (one year) of your return to employment from the leave. If you do not purchase credit for your leave, it constitutes a break in service and no service credit is received.

Note: The receipt of a public pension or retirement benefit is expressly conditioned upon the rendering of honorable service by a public officer or employee. Therefore, the Board of Trustees shall disallow the purchase of all or a portion of former service it deems to be dishonorable in accordance with N.J.S.A. 43:1-3.

COST AND PROCEDURES FOR PURCHASING SERVICE CREDIT

You may obtain a quotation of the cost for purchasing additional service credit by submitting a purchase application to the Division of Pensions and Benefits. Filing this application does not commit you to the

purchase. Applications are available from your employer or the Division of Pensions and Benefits.

The cost of a purchase is based on three factors:

- a purchase factor based on your nearest age at the time the Division receives your application;
- the higher of your current annual salary or highest fiscal year salary posted to your membership account; and
- the years and months of service being purchased.

The cost of the purchase will increase with an increase in your age and/or salary. No quotations of cost for purchase of leave of absence will be calculated until the Division of Pensions and Benefits receives verification of the leave.

The cost of purchasing service is borne by both you and your employer. Unlike your normal pension contributions, your purchase cost is not tax-deferred.

After the Division of Pensions and Benefits processes your application to purchase service credit, you will receive a quotation of the cost of the purchase. You must respond to the quotation letter within the specified time period. When you agree to purchase a certain amount of service credit, the Division of Pensions and Benefits assumes that you will complete the purchase and credits your account with the entire amount of service even if you are paying the cost through payroll deductions. Any estimates of retirement allowance you receive, including your *Personal Benefits Statement*, are based on the full amount of credit you agreed to purchase.

You may pay the cost of purchasing service credit:

- immediately in one lump sum. Active members who are not currently contributing to the system must purchase their requested service in a lump sum.
- by having extra payroll deductions withheld from your pay. The minimum deduction is 3.75 percent of base salary over a maximum of ten years and includes interest of 8.75 percent; or
- by paying a single down payment and paying the balance through payroll deductions.

If you retire before completing the purchase, you will receive prorated credit for the amount of service actually purchased or you can pay the remaining balance at the time of retirement and receive full credit.

If you authorize a purchase of service credit through payroll deductions, you may cancel those deductions at any time. No refunds will be made of any lump-sum payments, partial payments, or installment payments. You will receive a prorated credit for the service purchased to the date installment payments cease. Any subsequent requests to purchase the remaining service credit shall be based on the laws and rules in

effect on the date that the subsequent request is received. If you have an outstanding obligation for the purchase of additional service credit, interest may be assessed if there is a lapse in payments of two years or more toward the purchase.

LOANS

If you are an active contributing member, you may be eligible to borrow from your account twice per calendar year, up to a total of one-half of your posted pension contributions. Beginning January 1, 2002 the maximum amount you may borrow will be one-half of your posted contributions or up to a maximum loan balance of \$50,000, whichever is less. Loans are governed by the following conditions.

- **Service Credit** – You must have at least three years of pension membership credit posted to your account in the retirement system. Pension contributions are posted on a quarterly basis. It normally takes 60 days after the end of a quarter for your contributions to be posted to your account. For example, if you enrolled in the pension fund on January 1, 2000, you would not have three years posted to your account until March 2003.
- **Loan Amount** – Loans are made in multiples of ten dollars. The minimum amount you may borrow is \$50. The maximum you may borrow is one-half of the contributions you have made that are posted to your account. (Beginning January 1, 2002 the maximum amount you may borrow will be one-half of your posted contributions or up to a maximum loan balance of \$50,000, whichever is less.) You can learn the amount you may borrow by calling the Automated Information System at (609) 777-1777.
- **Loan Repayment** – The minimum deduction toward the repayment of a loan is equal to the normal pension contribution rate of 7.5 percent of your salary. The maximum deduction toward the repayment of your loan is 25 percent of your base salary. Beginning January 1, 2002 the maximum repayment period for a loan balance will be five years. You can obtain the deduction information toward the repayment of a loan by calling the Automated Information System at (609) 777-1777. The minimum loan repayment amount will be the same whether you borrow \$500 or \$5,000; however, the repayment of a larger loan will continue for a longer period than for a smaller loan. For loans made prior to January 1, 2002 — if you are out of work without pay after loan payments are set up, no loan payments will be made until you return to work and interest will continue to accrue.
- **Interest** – Interest is charged at the rate of four percent per year on the remaining balance.

- **Number of Loans Per Year** – You may borrow twice in any calendar year. This is determined by the date of the check, not the date of the request. For example, if you made a request for a loan on December 24th but the check is dated January 5th, the loan would be your first for the new year.
- **Return to Payroll** – If you have been out of work without pay within the last six months, your employer must complete the bottom portion of the *Loan Application* to certify that you have returned to employment.

You may obtain a loan application from your employer, or you may download an application from the Internet at www.state.nj.us/treasury/pensions/forms.htm

You may apply for a loan regardless of your age. If you retire before repaying the outstanding balance of your loan, your loan will be carried into retirement. That is, your pension allowance will be reduced by the same monthly amount you were paying towards your loan just prior to retirement. You may also repay your outstanding loan balance in one lump sum prior to retirement.

If you die before repaying your loan (either before or after retirement), the outstanding balance plus interest will be deducted from the proceeds of any benefits being paid to your beneficiaries. If you terminate employment and withdraw your contributions before repaying your loan, all your contributions less the loan balance and interest will be returned to you.

The Automated Information System at (609) 777-1777 gives you complete access to information you may need about loans. It will tell you if you are eligible to borrow, how much you can borrow, and when your check will be sent if you have filed for a loan. It will allow you to model different loan and repayment amounts before you file for a loan. It will also provide you the balance on an existing loan as of the last quarterly posting.

Internal Revenue Service (IRS) Requirements

Effective January 1, 2002 the Division of Pensions and Benefits has changed the loan policies due to Internal Revenue Code Section 72(p) requirements. As a result, for loans dated January 1, 2002 or later, loan balances cannot exceed \$50,000 and must be repaid within five years. The regulations also require members to make timely payments toward outstanding loan balances.

While it is your employer's responsibility to withhold loan deductions from your salary, if you are out of work without pay, your employer has no salary from which to take deductions. Failure to repay the loan as scheduled may result in the unpaid loan balance being declared a taxable distribution that will be reported to the IRS. For the tax year in which the default occurs, the

Division of Pensions and Benefits will send you a *Form 1099-R* for tax filing purposes in January of the following year. You will be required to include the portion of the loan representing before-tax contribution as income on your federal return. In addition, if you are under age 59½, you will be required to pay an additional ten percent tax for taking an early pension distribution.

If you default on your loan, it will be your responsibility to make an estimated tax payment to the IRS to cover your tax liability on the deemed distribution as no withholding will be deducted from your account and forwarded to the IRS by the Division.

If you resume your loan repayments after the default, the payments received will be posted to your account as already-taxed contributions that will increase the non-taxable portion of your pension at retirement. A deemed distribution cannot be cancelled by resuming your loan payments or repaying the loan in full prior to the end of the tax year in which the default occurs. Please note that unlike a normal pension distribution, a loan treated as a distribution cannot be rolled over to an IRA or another qualified retirement plan. Members who take a loan and subsequently fail to remit loan payments may also be subject to additional IRS regulations.

SUPPLEMENTING YOUR PENSION

New Jersey State Employees Deferred Compensation Plan

As a State employee, you are eligible to participate in the New Jersey State Employees Deferred Compensation Plan. Contributions to the plan are not subject to federal income tax until you take a distribution from the plan, either at retirement or termination before retirement. The main benefits of the plan are to help you save on federal income tax now and to supplement your retirement income through investments.

Information about investment options and other pertinent topics is available by calling (609) 292-3605 or by writing to: Division of Pensions and Benefits, New Jersey State Employees Deferred Compensation Plan, PO Box 295, Trenton, New Jersey 08625-0295.

Supplemental Annuity Collective Trust (SACT)

The Supplemental Annuity Collective Trust-Regular Plan is available to you, as an active contributing member of a New Jersey State-administered retirement system. Contributions to this plan are made after deductions for federal income tax. The main benefit of this plan is to help supplement your retirement income through investments.

Information and enrollment packets are available by calling (609) 633-2031 or by writing to: The Division of Pensions and Benefits, Supplemental Annuity

Collective Trust, PO Box 295, Trenton, New Jersey 08625-0295.

RETIREMENT

Mandatory Retirement

Retirement is mandatory at age 55. If you do not file an application for retirement before your mandatory retirement date, you will be retired by the SPRS Board of Trustees on a Service or Special Retirement allowance effective the first day of the month following your 55th birthday. Even though the Board of Trustees has retired you, you cannot begin to receive benefits until you have filed a properly completed retirement application with the Division of Pensions and Benefits.

For those who were members of the retirement system on August 29, 1985, the following applies:

- If you have less than 20 years of service at your mandatory retirement date, you will receive a benefit of 50 percent of your Final Compensation (the same as those with 20 years of service).
- If you have between 20 and 25 years of service at your mandatory retirement date, you will receive 50 percent of your Final Compensation plus an additional three percent of Final Compensation for each year of service over 20 years up to 25 years (a maximum of 65 percent).

Types of Retirement

There are several types of retirement for which you may qualify. Please keep in mind that only service rendered as a member of the State Police may be used to satisfy the creditable service requirements of all the following types of retirement. This includes the creditable service of those members appointed to the Division of State Police under Section 3 of Chapter 403, P.L. 1983, or Section 1 of Chapter 19, P.L. 1997. Your retirement benefit is based on your Final Compensation, which means the base or contractual wages (including maintenance) you received during the 12 months preceding retirement.

Service Retirement

A Service Retirement is available when you complete 20 years of creditable service as a member of the SPRS. The amount of your annual retirement allowance is equal to 50 percent of your Final Compensation.*

**If you have other credible service, you can receive one percent per year of service.*

Special Retirement

As a member of the SPRS, a Special Retirement is available if you have 25 years or more of service credit. The amount of your annual retirement allowance will be equal to 65 percent of your Final Compensation plus one percent for each year of creditable service

over 25 years but not to exceed 30 years. The maximum allowance is, therefore, 70 percent of your Final Compensation.*

**If you have other credible service, you can receive one percent per year of service. The maximum possible allowance for a Special Retirement, however, remains at 70 percent of your Final Compensation.*

Health Benefits — If you elect a Service or Special Retirement you will be eligible to continue your health benefits coverage into retirement, provided you were eligible for enrollment in the State Health Benefits Program (SHBP) immediately preceding retirement.

Deferred Retirement

Deferred Retirement is available if you have at least ten years of service credit, are not yet 55 years of age when you terminate employment, and are not removed for cause on charges of misconduct or delinquency. The retirement will be effective on the first of the month after attaining age 55. You will receive a retirement allowance equal to two percent of Final Compensation for each year of service up to 25 years.** Your death benefits coverage is not in effect between the time you terminate employment and the date the Deferred Retirement becomes effective. You may apply for a Deferred Retirement when you terminate covered employment. You must file a retirement application to collect a Deferred Retirement benefit. The effective date of retirement can be no earlier than the date the application is filed.

***If you have other credible service, you can receive one percent per year of service.*

At any time before your Deferred Retirement becomes effective, you may change your mind and apply for a lump-sum withdrawal of your pension contributions instead. Once you cancel your Deferred Retirement and withdraw your contributions, all the rights and privileges of membership in the retirement system end.

Please note the following important information about your life insurance and health care coverage if you are considering a Deferred Retirement:

- **Life Insurance** — Your life insurance coverage will end 31 days after you terminate employment and will not be in effect until your Deferred Retirement becomes payable. If you die before your Deferred Retirement becomes effective, the last named beneficiary will receive a return of your pension contributions. There is no life insurance benefit under these circumstances. However, during the 31-day period after you terminate employment you may convert your group life insurance coverage to a private policy with Prudential; for more information see “Conversion: Deferred Retirement” on page 15.
- **Health Benefits** — Those electing Deferred

Retirement cannot transfer their health care coverage to the Retired Group of the State Health Benefits Program if there is a lapse in coverage between active status and retired status. Those electing Deferred Retirement may be eligible, however, for continuation of State Health Benefits Program coverage under federal legislation referred to as “COBRA” for up to 18 months. If your actual retirement commences while the 18 months of COBRA coverage is in effect, you may transfer from COBRA to the Retired Group of the State Health Benefits Program. If the 18 months of COBRA coverage ends before your retirement date, you will not be entitled to continued health coverage through the State Health Benefits Program.

Ordinary Disability Retirement

To qualify for an Ordinary Disability Retirement you must:

- be a member in service at the time the application is filed with the Division of Pensions and Benefits (an official leave of absence is considered in service);
- be under age 55 and have four or more years of service credit as a State Trooper;
- be considered totally and permanently disabled; and
- submit medical reports certifying your disability. All medical information is confidential and used only by the Board of Trustees in reviewing your claim.

If you qualify for an Ordinary Disability Retirement, the annual benefit is equal to 40 percent of your Final Compensation or 1.5 percent of your Final Compensation for each year of service credit, whichever is higher.

The *Application for Disability Retirement Allowance* contains forms for your physician(s) to complete and a release for hospital records related to your disability. The application requires corroboration of your condition by at least two medical sources. It is the applicant's responsibility to arrange for all physicians' statements and to have the hospital records sent to the Division. Applicants may be examined by physicians selected by the retirement system. All medical information is confidential and only for use by the SPRS Board of Trustees and the Board's Medical Review Board in evaluating your application. The more complete the application, the faster it can be evaluated, although the process may take three to five months.

Approval for Workers' Compensation or Social Security Disability benefits has no bearing on your application for disability retirement from the SPRS.

Your employer has the right to apply for an Involuntary

Disability retirement on your behalf (see below).

Health Benefits — If you are approved for a disability retirement, you will be eligible for State-paid health benefits coverage into retirement, provided you maintain your SHBP coverage until your retirement is approved.

Involuntary Disability Retirement

A SPRS member with more than 20 years, but less than 25 years of service, who meets the qualifications for Ordinary Disability shown above is required to retire upon application by the employer. When retired on an Involuntary Disability Retirement, the member will receive a retirement allowance of 50 percent of Final Compensation plus an additional three percent of Final Compensation for every additional year of creditable service over 20 but not over 25 years.

Accidental Disability Retirement

To qualify for Accidental Disability Retirement you must:

- be enrolled in the SPRS on or before the date of the traumatic event (see definition below);
- be a member in service at the time the application is filed with the Division of Pensions and Benefits (an official leave of absence is considered in service);
- be considered totally and permanently disabled as a result of a traumatic event that happened during and as a direct result of carrying out your regular or assigned job duties;
- show that the disability was not a result of your willful negligence;
- file the application within five years of the date of the traumatic event; and
- be examined by physicians selected by the retirement system. All medical information is confidential and used only by the Board of Trustees in reviewing your claim.

A “TRAUMATIC EVENT” has been defined by the courts as one in which the worker is involuntarily exposed to a violent level of force or impact, which is not brought into motion by the worker. The seriousness or extent of the injury does not determine whether an accident qualifies as a “traumatic event;” to be eligible for Accidental Disability Retirement, the worker must demonstrate that:

- the injury was not induced by normal work effort;
- the worker met involuntarily with the object that was the source of the harm; and
- the source of the injury was a violent or uncontrollable power.

If you qualify for an Accidental Disability Retirement, the annual benefit is equal to 2/3 of your Final Compensation.

If you apply for Accidental Disability Retirement and are found by the Board of Trustees to be totally and permanently disabled but *not* as a result of a traumatic event, you may be retired on an Ordinary Disability Retirement if you have the necessary service credit.

The *Application for Disability Retirement Allowance* is available from your employer. You may also contact the Division of Pensions and Benefits to obtain this application. The application contains forms for your physician(s) to complete, a form for your employer to complete with questions regarding the traumatic event, and a release for hospital records related to your disability. It is the responsibility of the applicant to secure all physicians' statements and to arrange for hospital records to be sent to the Division. The more complete your application, the faster it can be evaluated, although processing may take three to five months.

Approval for Workers' Compensation or Social Security Disability benefits has no bearing on your application for disability retirement from the SPRS.

If you receive periodic Workers' Compensation benefits while on an Accidental Disability Retirement, the pension portion of your retirement allowance will be reduced dollar-for-dollar by the amount of the periodic benefits.

Your employer has the right to apply for an Involuntary Disability retirement on your behalf.

Health Benefits — If you are approved for a disability retirement, you will be eligible for state-paid health benefits coverage into retirement.

BEFORE YOU RETIRE

If you are within two years of retirement, you may request a retirement estimate from the Division of Pensions and Benefits. You will receive a written estimate of your retirement allowance, widow's/widower's pension, and life insurance. Retirement estimates are kept confidential.

Applying for Retirement

It is your responsibility to file an *Application for Retirement Allowance* with the Division of Pensions and Benefits. All retirements are effective on the first of a month. Your *Application for Retirement Allowance* must be filed with the Division of Pensions and Benefits prior to your retirement date; four months advance filing is recommended. Under no circumstances can a retirement become effective prior to the date the application is received by the Division of Pensions and Benefits. Processing times vary, and cannot begin until the Division has received the necessary information and forms from both you and your employer.

If you have not furnished proof of your age to the Division, you must do so when applying for retirement (see page 1 for acceptable proofs of age). Please attach a photocopy of your proof of age to your retirement application. If married, you should also attach a photocopy of your marriage certificate.

Health Benefits at Retirement

If you are covered by the State Health Benefits Program (SHBP) until retirement, you will be sent a letter offering you the opportunity to continue that coverage for yourself and your eligible family members through the SHBP retired group. Enrollment in the SHBP is not automatic. To enroll in the Retired Group of the SHBP, you must complete and return the SHBP application that is enclosed with the offering letter from the Health Benefits Bureau.

The following members may be eligible for State payment of all or a portion of the SHBP premiums for themselves and eligible dependents:

- those who have 25 years of service credit in the retirement system;
- those who retire on a disability retirement; and
- those who were members of the retirement system on August 29, 1985 and who are forced to retire by mandatory retirement at age 55 with less than 25 years of service credit.

The union contract in effect when you attain 25 years of service credit, retire on a disability, or reach mandatory retirement age will determine the State's payment of any premiums.

If you have elected to take a Deferred Retirement, you are not eligible to enroll in the Retired Group of the SHBP if there is a lapse in coverage between your active status and retired status. You may be eligible for a continuation of your SHBP benefits under the federal legislation referred to as "COBRA" for up to 18 months. See "Deferred Retirement" on page 6.

Members/dependents who become Medicare eligible, due to becoming age 65 or because of a Social Security Disability, must be enrolled in the full Medicare program: Part A (Hospital Insurance) and Part B (Medical Insurance) to continue SHBP coverage. Contact your local Social Security Administration office for Medicare enrollment information.

If a SPRS member enrolled in the Retired Group of the SHBP must pay for Part A of Medicare, the SHBP will reimburse those premiums in accordance with Chapter 447, P.L. 1987. The member should contact the Division of Pensions and Benefits for the appropriate form.

Unsatisfied Balances at Retirement

Loans — If you retire with an outstanding loan balance,

you may:

- pay the loan in full prior to receiving any benefits; or
- continue your monthly loan repayment schedule into retirement.

Arrears — When you apply for a purchase of service credit, the Division assumes that the obligation will be paid before your retirement. Therefore, your account is credited with the full amount of service you are purchasing. If this obligation has not been paid when you retire, your *Quotation of Retirement Benefits* will state the balance of your arrears (purchase) as of your retirement date. If you cannot pay off the balance, the service credit that has not been paid for will be subtracted from your total years and months of service. This will affect the amount of your retirement allowance and may affect your eligibility for retirement.

If you have an outstanding arrears obligation for the purchase of service credit, interest may be assessed if there was a lapse in payments of two years or more.

Shortages — A shortage in your pension account occurs when your employer does not deduct the proper pension contribution from your salary. You will be notified by the Division of Pensions and Benefits of the amount of any shortage. You are responsible for payment of any shortages at retirement. No retirement benefit will be paid until all obligations have been satisfied.

Retirement Check Date

Your first retirement benefit payment cannot be issued earlier than the first of the month following your retirement date, or 30 days after the date of the SPRS Board of Trustees' approval, whichever is later. This is when your retirement becomes "due and payable." If approval of your retirement is delayed, your first benefit payment will be retroactive to the date of your retirement. Regular retirement benefit payments are dated on the first of the month to cover the allowance for the previous month. For example, your benefit payment for the month of September is dated October 1st.

Change of Address

After retirement, it is important that you inform the Division of Pensions and Benefits of a new address. If informing the Division of Pensions and Benefits of an address change by letter, be sure to include your new address and your retirement number or Social Security number. Mail your letter to the Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. You can also change your address with the Division of Pensions and Benefits by calling (609) 292-6683 or over the Internet at: www.state.nj.us/treasury/pensions/changead.htm

Direct Deposit/Electronic Fund Transfer (EFT)

Direct deposit of retirement checks is strongly recommended. Shortly after your retirement date you will receive an *Authorization of Direct Deposit* form from the Division of Pensions and Benefits. If you wish to have your retirement checks directly deposited, send the completed form to the Division of Pensions and Benefits. Please allow approximately 90 days for the direct deposit to begin. Direct deposit will prevent your retirement checks from being lost or stolen. Direct deposit forms are also available over the Internet at: www.state.nj.us/treasury/pensions/forms.htm

Federal Income Tax After Retirement

In January, the Division of Pensions and Benefits issues each retiree an annual *Form 1099-R* reflecting the taxable retirement allowance paid during the preceding tax year. The degree to which your pension is taxed, other than an Accidental Disability Retirement, depends on whether or not the payments you receive have been previously taxed. Employee contributions made prior to 1987 were made with after tax dollars, that is, they were federally taxed prior to being made. Contributions made for the purchase of service are also made with after tax dollars; all employee contributions since 1987, employer contributions, and system earnings are before tax dollars and are thus taxable.

If you began contributing to the pension plan in 1987 or after, and you have not made a purchase of service credit, your entire pension is subject to federal income tax because your contributions have never been taxed.

If you contributed to the pension plan before 1987, or if you have made a purchase of service credit since 1987, your pension is immediately taxable based on the "expected return rule." Part of your retirement allowance comes from your own pension contributions. Since your contributions before 1987 and any purchase of service credit were already taxed, the Internal Revenue Service (IRS) will allow you to recover those contributions tax-free. This recovery is spread out over your expected lifetime or the combined lifetime of you and your beneficiary according to IRS life expectancy tables. This means that a small portion of each monthly retirement check is tax-free. The remainder of the monthly benefit is subject to federal income tax.

If you retired on an Accidental Disability Retirement, the Division of Pensions and Benefits considers your pension to be exempt from federal income tax. A survivor's pension from an Accidental Disability Retirement is considered taxable.

Ordinary Disability Retirement benefits are taxable to the same extent as other pensions. Any questions should be referred to the IRS at 1-800-829-1040.

NJ State Income Tax after Retirement

If you live in New Jersey, you will be subject to New Jersey State income tax when you have recovered in pension checks the amount of pension contributions you made to the retirement system while working. However, if you will not recover your total contributions within three years of retirement, contact the NJ Division of Taxation at 1-800-323-4400, or see the *NJ Gross Income Tax Return Form 1040* instructions to determine how your pension is taxed. If you are receiving an Ordinary Disability or Accidental Disability retirement allowance it is exempt from New Jersey income tax if you are under age 65. When you reach age 65, your disability pension is treated as a regular pension and is considered taxable for New Jersey income tax.

If you live outside New Jersey, you are not required to pay New Jersey State income tax on the pension you receive from the SPRS. You may, however, be subject to state or local taxes in the jurisdiction in which you reside. Contact your state or local tax agency for further information.

Withholding Federal and NJ State Income Tax

The Division of Pensions and Benefits will provide for the withholding of federal and New Jersey State income tax from your retirement check. The Division is obligated to withhold federal income tax unless you file a *Form W-4P* instructing us not to do so. New Jersey State income tax withholding is voluntary, and none will be withheld unless you instruct us to do so. Please keep in mind that if you live outside New Jersey your retirement benefits are not subject to New Jersey State income tax, but may be subject to state or local taxes in the jurisdiction in which you reside. There is no provision for withholding any local or out-of-state taxes.

A retiring member will automatically receive federal and NJ *W-4P* forms for withholding income tax. After that, you may obtain a federal or New Jersey State form *W-4P* by calling or writing the Division of Pensions and Benefits. *W-4P* forms are also available over the Internet at www.state.nj.us/treasury/pensions/forms.htm

Any questions about your federal income tax should be directed to the Internal Revenue Service at 1-800-TAX-1040. For questions about New Jersey State income tax, call the New Jersey Division of Taxation at 1-800-323-4400. The Division of Pensions and Benefits cannot provide tax advice.

YOUR RETIREMENT CHECKLIST

When planning for a successful retirement, it is important to give yourself enough time to review your benefits and options. The time frames in this checklist are a guide. Processing times vary and cannot begin

until the Division of Pensions and Benefits receives all the necessary information and forms from both you and your employer.

6-8 Months Before Retirement

- Request a retirement estimate from the Division of Pensions and Benefits. Retirement estimates are mailed to the address you provide.

4-6 Months Before Retirement

- Submit an *Application for Retirement Allowance* (available from the Division of Pensions and Benefits or your employer) to the Division of Pensions and Benefits. Accuracy and thoroughness are important when completing your *Application for Retirement Allowance*.
- Attach a photocopy of your birth certificate, if one is not on file with the Division of Pensions and Benefits. Your retirement application will not be processed until the Division receives a copy of your birth date evidence.
- If you have applied for a purchase of additional service credit in the past few months, write "Purchase Pending" on the top of your *Application for Retirement Allowance*.
- Ask your employer to submit a Certification of Service and Final Salary to the Division of Pensions and Benefits.
- If you participate in the Supplemental Annuity Collective Trust (SACT), contact the SACT office at (609) 633-2031.
- If you participate in the New Jersey State Employees Deferred Compensation Plan, contact Deferred Compensation at (609) 292-3605.
- You will receive a letter from the Division of Pensions and Benefits acknowledging receipt of your retirement application. Also included are answers to some frequently asked retirement questions.
- The amount of your life insurance coverage through the pension plan decreases at retirement or terminates if you have less than ten years of service credit. You may convert the dollar difference between the group coverage you had before retirement and the group coverage you will have after retirement to a non-group life insurance policy by applying to a Prudential Insurance Company agent within 31 days of your termination of employment. No physical examination is required to prove insurability. The cost of the coverage will be at the standard rate for someone your age. If you live in New Jersey, you can contact Prudential at 1-800-262-1112. You should contact other insurance carriers and compare the available policies and costs before you decide to purchase the conversion policy. (See page 14 for more details.)

Approximately 3 Months Before Retirement

- You will receive a letter offering you enrollment in the New Jersey State Health Benefits Program.
- You will not receive a letter offering SHBP coverage if you have elected a Deferred Retirement; see "Deferred Retirement" on page 6.

Approximately 2 Months Before Retirement

- You will receive a *Quotation of Retirement Benefits* letter, which shows your monthly retirement allowance, your life insurance benefit after retirement, and your survivor's benefit if you are married. The quotation will also include:
 - a quote of any outstanding loan balance; and
 - a notice on any outstanding arrears (purchase) balance and/or shortage.

Any outstanding arrears or shortage must be paid before your retirement check can be issued. Failure to respond to this notice will delay your retirement benefits.

Approximately 1 Month before Retirement

- Your retirement will be presented to the SPRS Board of Trustees for approval. The Board of Trustees will notify you of your approval for retirement. If you wish to cancel your retirement, you will have 30 days from the Board approval date or your effective retirement date (whichever is later) to cancel your retirement.

You may also want to:

- Discuss the possibility of continuing dental or vision coverage under the provisions of COBRA with your employer.
- If your spouse (who is covered as a dependent under your health plan) is age 65, contact your local Social Security Administration office for full Medicare enrollment. At age 65, you and/or your spouse must be covered by both Part A (Hospital) and Part B (Medical) of Medicare to continue coverage in the SHBP.

Shortly After Your Retirement Date

- You will receive forms for withholding federal and New Jersey State income tax.
- You will receive a form to request to have your retirement check deposited directly to your bank account.
- Your first retirement check will be dated no earlier than the first of the month following your retirement date or 30 days after approval by the Board of Trustees, whichever is later.
- You will receive a letter summarizing your retirement and death benefits. The letter will also supply figures needed in filing your income tax return.
- If you enrolled in the State Health Benefits Pro-

gram, you will receive new identification cards from the health insurance plan you selected.

REDUCTION OR SUSPENSION OF YOUR BENEFITS

Normally, you will receive retirement benefits for as long as you live. Your benefits, however, could be revoked, reduced, or suspended if:

- As an Accidental Disability retiree, you receive periodic Workers' Compensation benefits after your retirement date.
- You become mentally or physically incompetent. Your benefits will be reinstated when a legal representative has been appointed.
- You have an outstanding shortage or purchase balance at the time of your retirement.
- You receive salary from your employer for services rendered after your date of retirement.
- You waive your right to a portion of any pension to which you are entitled.
- You go to jail (although the Board of Trustees may permit the continuance of your benefits to your family).
- An accounting error is made and the SPRS must be repaid.

Your pension is normally exempt from any liens against it. Exceptions are: tax liens imposed by the federal Internal Revenue Service or court orders for child support, alimony, or equitable distribution. Court orders are effective only when you withdraw your funds or when you begin to receive monthly retirement payments. If the order is received while you are in active employment, it is deferred until pension funds are disbursed (retirement, death, or withdrawal).

Your benefits will be reduced or suspended if you are convicted of a crime involving your employment. The SPRS Board of Trustees is empowered to order the forfeiture of all or part of the pension or retirement benefit of a member for misconduct during public service which renders the service, in whole or in part, dishonorable.

The Division of Criminal Justice in the Department of Law and Public Safety is required to inform the Division of Pensions and Benefits whenever a public official or employee is prosecuted or convicted. Your employer is also required to notify the Division of Pensions and Benefits whenever an employee is removed from employment for cause. The Board of Trustees considers each case on its own merits.

COST-OF-LIVING ADJUSTMENTS

The Pension Adjustment Program provides automatic cost-of-living adjustments (COLA) to you and your survivors who receive a monthly retirement allowance

from the SPRS. The first adjustment is available on the 25th month after your retirement. Subsequent cost-of-living adjustments are computed annually and are reflected in the check dated February 1st (which is payment for the month of January). The COLA is based on your initial retirement allowance.

The Division of Pensions and Benefits uses the Consumer Price Index (CPI) for Urban Wage Earners and Clerical Workers (CPI-W), U.S. City Average, All Items, 1982-84=100. Your rate of increase is equal to 60 percent of the percentage of change between the average CPI for the calendar year in which you retired and the average CPI for the 12 month period ending August 31, immediately preceding the year when the adjustment is payable.

EXAMPLE: To calculate the COLA due February 1, 2001: A member retired in 1983 with a monthly retirement allowance of \$1,278.35. The average CPI for the twelve months ending December 31, 1983 was 99.8. The average CPI for the twelve months ending August 31, 2000 was 167.0.

- To calculate the change in the CPI, subtract 99.8 from 167. $167.0 - 99.8 = 67.2$
- To calculate the percentage change in the CPI between the retirement year, 1983, and the 12 months ending August 31, 2000, divide 67.2 by 99.8 which equals 67.3347%. $= 67.3347\%$
- The cost-of-living adjustment rate for February 1, 2001 equals 60% of 67.3347% or 40.4008%. $60\% \times 67.3347\% = 40.4008\%$
- Therefore the cost-of-living adjustment for this member is 40.4008% of \$1,278.35 or a \$516.46 increase. $40.4008\% \times \$1,278.35 = \516.46
- The total monthly benefit equals \$1,794.81 ($\$516.46 + \$1,278.35$).

Your current cost-of-living adjustment can be found under the Current Earnings section on your retirement benefit check stub.

You can also verify your current allowance and deduction information at any time by calling our Automated Information System, (609) 777-1777. When calling, you will be asked to enter your Social Security number. Then by pressing 3 after the first prompt — indicating that you are requesting retirement information — and 3 again at the second prompt, you can hear the check information in the order as it would appear on your check stub.

SOCIAL SECURITY

Your pension is not reduced by any Social Security benefits you may receive. If you had other employment, you should contact the Social Security Administration at 1-800-772-1213 for information on available

Social Security benefits.

EMPLOYMENT AFTER RETIREMENT

Working for private industry or the federal government will not affect your retirement benefit. Most public employees will not resume public employment in this state after retirement. For those who do, the following applies:

Returning to Work in a Position Covered by a Different State of New Jersey Administered Retirement System — Your retirement allowance continues and you can receive salary but cannot become a member of that system.

Disability Retirees Restored to Active Service — Before returning to active service in the SPRS, disability retirees must first prove to the satisfaction of the SPRS Board of Trustees that they are no longer disabled. When you return to active service, your membership in the SPRS will be restored. Deductions for pension are resumed and you are treated as an active member in all respects.

Upon subsequent retirement, you will receive a benefit based on your total service.

State Health Benefits Coverage — Returning to public employment in New Jersey may affect your eligibility to continue coverage under the State Health Benefit Program (SHBP). If your retirement allowance is canceled because you return to work in a position covered by the SPRS, your Retired Group SHBP coverage is also canceled until you retire again. Returning to a position not covered by the SPRS will not affect your eligibility for Retired Group coverage under the SHBP. Maintaining SHBP Retired Group coverage also does not affect your eligibility for active group health coverage associated with your new employment.

Social Security Benefits — There is an earnings test for people under age 65 who are receiving Social Security benefits. Check with the Social Security Administration for information on their earnings limit before accepting employment after retirement.

ACTIVE AND RETIRED DEATH BENEFITS

Upon your death as an active or retired member, two benefits are payable. A monthly pension to a specific family member(s) and group life insurance. The monthly pension to a family member is explained below. An explanation of group life insurance begins on page 13.

Payment of Pension to a Family Member

Upon your death as an employed or retired member, your spouse, child(ren), or parents may be entitled to

a monthly pension. The benefits vary according to your status as a member at the time of the death. The terms used in the explanations of benefits that follow are explained here.

Surviving Spouse means the person to whom you were married on the date of your death and who has not remarried.

Child means your unmarried child:

- under the age of 18; or
- any age, who at the time of your death, is disabled because of mental or physical incapacity and is incapable of substantial gainful employment because of the impairment. This incapacity must last or be expected to last for a continuous period of not less than 12 months as determined by the Medical Review Board.

Parent(s) means your parent(s) who was receiving at least one-half support from you in the 12 months immediately preceding your death or the accident, which led to your death.

Final Compensation means the salary upon which pension contributions were based in the last 12 months of creditable service preceding the member's retirement or death. It includes the value of the maintenance allowance for this same period.

Active Member

Upon your death as an active member, your surviving spouse is eligible to receive a pension benefit equal to 50 percent of your Final Compensation.

If there is no surviving spouse, the following benefit is payable to your eligible children:

- 50 percent of Final Compensation to three or more eligible children;
- 35 percent of Final Compensation to two eligible children; or
- 20 percent of Final Compensation to one eligible child.

If there is no surviving spouse or children, a pension is paid to your eligible parent(s) as follows:

- 25 percent of Final Compensation to one parent;
- 40 percent of Final Compensation to two parents.

If there is no surviving spouse, children, or parents, the employee contributions are paid to your named beneficiary. In the event a specific beneficiary is not named, the funds will be paid to your estate.

Retired Member

Upon your death as a retired member, your surviving spouse is eligible to receive a pension benefit equal to 50 percent of your Final Compensation. If there is no

surviving spouse, the following benefit is payable to your eligible children:

- 50 percent of Final Compensation to three or more eligible children;
- 35 percent of Final Compensation to two eligible children; or
- 20 percent of Final Compensation to one eligible child.

A surviving spouse may continue health coverage through the SHBP as long as he or she was listed as a dependent at the time of death. It will be the survivor's responsibility to pay for the cost of the coverage.

Accidental Death

If you die as a result of an accident during the performance of your regular or assigned duties, and your death is not a result of willful negligence, your family may be entitled to Accidental Death benefits. A report of the accident must be filed with the retirement system within 60 days of the accident. An application for Accidental Death benefits must be filed within five years of the date of death.

In the case of Accidental Death, your surviving spouse is paid an annual pension of 70 percent of your Final Compensation. This is a lifetime benefit to your surviving spouse, unless he or she subsequently remarries. A surviving spouse and children may continue state-paid State Health Benefits Program coverage as long as they were listed as dependents at the time of death.

If there is no eligible surviving spouse, or if the surviving spouse dies or remarries, a pension is paid to your eligible children in these amounts:

- 50 percent of Final Compensation to three or more eligible children;
- 35 percent of Final Compensation to two eligible children; or
- 20 percent of Final Compensation to one eligible child.

If there is no eligible surviving spouse or children, a pension is paid to your eligible parents in these amounts:

- 25 percent of Final Compensation to one eligible parent; or
- 40 percent of Final Compensation to two eligible parents.

If there is no surviving spouse, child, or parent, your pension contributions are paid to your named beneficiary.

GROUP LIFE INSURANCE

The State pays the cost of your group life insurance. Group life insurance is covered by policies issued by

the insurance carrier (Prudential). Upon enrollment, you receive an individual certificate from the Division of Pensions and Benefits that you should keep with your important papers.

Coverage for Active Members

If your death occurs in active service before retirement, your named beneficiary (or estate where there is no named beneficiary) will receive a death benefit equal to 3½ times your Final Compensation. If you die during the first year of creditable service, the benefits will be 3½ times your creditable base salary upon which pension contributions were paid.

Coverage for Retired Members

If you die after retirement, your named beneficiary (or estate where there is no named beneficiary) will receive an amount equal to one-half of your Final Compensation. However, if you retire on a disability retirement, the amount will be equal to 3½ times your Final Compensation until age 55 when it will be reduced to one-half of Final Compensation.

If a retiree was enrolled as a member on or after July 1, 1971, life insurance is payable only if the member retired with ten or more years of pension membership credit or retired on a disability retirement.

"Final Compensation" means the salary upon which pension contributions were based in the last 12 months of creditable service preceding the member's retirement or death. It includes the value of the maintenance allowance for this same period.

Payment of Group Life Insurance

Active members can complete a *Designation of Beneficiary* form to designate how their group life insurance benefits will be paid (group life insurance for retirees must be paid in a lump sum). If you choose lump sum, your beneficiary can pick another payment option. The options are:

- **Lump Sum.**
- **Annuity Certain** is equal installments over a chosen period of years. If your beneficiary dies before all the payments have been made, the remaining monies will be paid in a lump sum to your beneficiary's designated beneficiary.
- **Life Annuity** is paid monthly to your beneficiary for life. Payment continues even if your beneficiary outlives the actual amount of the benefits. For this reason, the value of the annuity is based on the amount payable and the life expectancy (age) of the beneficiary. Payments cease at your beneficiary's death.
- **Other Possibilities** include options provided by the insurance company (Prudential) to its ordinary life policyholders.

These death benefits cannot be paid until all the necessary information and forms have been received by the Division of Pensions and Benefits. To report a death, contact the Division's Office of Client Services at (609) 292-7524.

Group Life Insurance and Leave of Absence

Your group life insurance coverage will continue in full force for an official leave of absence without pay under the following conditions:

- up to two years while on an official medical leave of absence.
- up to one year while on an official leave to fulfill a residency requirement for an advanced degree or as a full-time student at an institution of higher education.
- up to 93 days while on official leave for personal reasons.

A member who has been suspended without pay is covered for group life insurance for up to 93 days.

Choosing a Beneficiary

Your enrollment application contains a section in which you name beneficiaries for both your group life insurance benefits and return of your contributions. You may name any person, organization, or your estate or trust as beneficiary. You may change this designation at any time during your membership by filing a *Designation of Beneficiary* form. At retirement, you are asked to nominate life insurance beneficiaries on your *Application for Retirement Allowance*.

Designation of Beneficiary forms can be obtained from your employer, through the Division's Fax on Demand Service, (609) 777-1931 (enter selection number 8114), or over the Internet at www.state.nj.us/treasury/pensions/forms.htm. For your protection, designations cannot be accepted over the telephone or through a letter. All beneficiary designation forms must be signed and sent in to the Division of Pensions and Benefits.

Taxation of Group Life Insurance Benefits

The Internal Revenue Service classifies all employer-provided life insurance coverage over \$50,000 as a fringe benefit subject to taxation. The amount of life insurance coverage is not taxable but rather the premium required to pay for the life insurance coverage is taxable. Chapter 62, P.L. 1994, permits members of the State retirement systems to waive their Noncontributory Group Life Insurance over \$50,000 to avoid a possible federal and State tax liability on that benefit. Any member, who waives the Noncontributory Group Life Insurance, must waive the total amount of noncontributory coverage in excess of \$50,000. The waiver of partial amounts is not permitted.

IRS Premium Rates* as of 7/1/99

(Annual cost per \$1,000 of coverage)

Age	Premium
Under age 25	\$ 0.60
25-29	0.72
30-34	0.96
35-39	1.08
40-44	1.20
45-49	1.80
50-54	2.76
55	5.16

*These rates are subject to change by the IRS.

To determine the taxable amount, if any, subtract \$50,000 from the amount of your noncontributory life insurance coverage. The premium rates are then applied to the remaining life insurance amount. The premium costs for the life insurance are determined by the IRS based on your age (see chart above) and the life insurance in excess of \$50,000.

EXAMPLE: A SPRS member is age 52 and has noncontributory life insurance coverage of 3½ times salary.

The member's annual base salary is \$60,000. The member's life insurance coverage totals \$210,000 (3.5 x \$60,000).

The fringe benefit amount is determined by subtracting \$50,000 from the total benefit amount, \$210,000. That leaves \$160,000 (\$210,000-\$50,000).

According to the IRS, the premium cost for an individual 52 years of age is \$2.76 per \$1,000 of coverage. The premium cost in this example is \$441.60 (160 x \$2.76) and this would be added to your taxable income.

CONVERSION OF GROUP LIFE INSURANCE

If you are covered by group life insurance while employed, the coverage ends 31 days after you cease employment (whether for reasons of retirement or termination of employment) or when the period of coverage under a leave of absence without coverage ends — see previous page. You are eligible to continue your life insurance coverage after you leave employment by purchasing a converted life insurance policy with Prudential, without a medical examination, at your own expense.

You have the option to convert your group life insurance coverage to an individual policy with the Prudential Insurance Company when you retire, terminate employment, or lose coverage while on a leave of absence without pay. This conversion to a Prudential policy is guaranteed (you cannot be denied coverage

for health or other reasons), but it may be more expensive or less suitable to your needs than other policies for which you may qualify from Prudential or other insurance carriers. You should contact other insurance carriers and compare the available policies and costs before you decide to purchase the conversion policy. (Other carriers may accept or reject your application based on their evaluation of the status of your health and other factors.) If you wish to purchase a conversion policy, you have a one-time option to do so prior to the 31st day after you cease employment or coverage under a leave of absence ends. After that date, you will not be eligible to purchase a conversion policy.

You may convert your life insurance to any individual, non-group policy customarily offered by Prudential. However, you cannot convert to term insurance or a policy containing disability benefits. Under a guaranteed conversion, the premiums you would pay would be at Prudential's "standard" rates for the type of policy to which you would be converting rather than the "preferred" rates that would be used for applicants in good health. The individual policy will be effective at the end of the 31-day conversion grace period. If you do not convert to an individual policy by the end of the 31-day period, your coverage will end. To initiate the purchase of a conversion policy, you must contact the Prudential Insurance Company (not the Division of Pensions and Benefits) through any of its local offices or, if you live in New Jersey, by calling 1-800-262-1112. You will need to provide your group insurance policy number which is G-14800.

The conversion policy can be for any amount of insurance up to the amount that you had while employed. In the case of a retirement, the maximum amount that you can purchase will be reduced by the amount of any life insurance that you will automatically receive in retirement under your retirement plan.

Please note that you have 31 days after termination of employment to take advantage of the conversion privilege. In order to ensure the conversion will be effective on that date, you must file the conversion application along with your first month premium **before** the 31 days. The individual policy will not be effective until the end of the 31-day period.

The following sections provide more detailed information about conversion policies for the specific situations of retirement, Deferred Retirement, termination of employment, and leave of absence.

Conversion: On Retirement

If you retire with ten or more years of service credit in the retirement system, the amount of your group life insurance will be substantially reduced when you retire.

The amount of your coverage will be listed in the *Quotation of Retirement Benefits* that you will receive prior to your retirement. It will be identified as the "Lump Sum Death Benefit." You will automatically be covered by this insurance and do not need to do anything to qualify. However, if you retire on a Service Retirement with less than ten years of service credit in the retirement system, you will not be entitled to any group life insurance in retirement.

The reduction of your life insurance coverage will be effective 31 days after your employment ceases. If you wish to supplement this coverage with either a conversion policy from Prudential or another type of policy from Prudential or another insurance carrier, it would be best to begin exploring your options at least four months prior to your retirement.

EXAMPLE: If you had group life insurance of \$175,000 through the retirement system while employed, and that life insurance coverage drops to \$25,000 at retirement, you can purchase up to \$150,000 in life insurance coverage under an individual non-group conversion policy by contacting a Prudential agent within 31 days following your termination of employment.

Conversion: Deferred Retirement

Your life insurance coverage will end 31 days after termination of employment. Any life insurance coverage to which you are entitled upon retirement will not take effect until you reach age 55 and begin to receive retirement benefits.

You have the one-time option to purchase a conversion policy prior to the 31st day after termination of employment (not at the time that you reach normal retirement age). The maximum amount of coverage that you may purchase will be the difference between the amount of coverage you had while employed and the amount of coverage that you will automatically receive when you begin to receive retirement benefits.

Conversion: Disability Retirement

Your life insurance coverage will continue while your disability retirement benefits are being processed provided that the retirement application was filed within 30 days of ending your employment.

If you are approved for a disability retirement, you will automatically be covered by life insurance equal to 3½ times your Final Compensation until you reach age 55. It will then be reduced to one-half of your Final Compensation until your death. You will have the option to purchase a conversion policy up until the day you reach age 55. The maximum amount of coverage that you may purchase will be the difference between the amount of noncontributory coverage you had while

employed and the amount of coverage that you will automatically receive when you reach the normal retirement age of 55.

Conversion: Termination of Employment or Leave of Absence

If you terminate employment without applying for retirement or your insured period during a leave of absence expires, you will continue to be covered for the next 31 days. Up until the end of that 31-day period, you may convert your group life insurance, without medical examination, to any individual policy customarily offered by Prudential except term insurance or a policy containing disability benefits.

EXAMPLE: If you had group life insurance of \$96,000 through the retirement system while employed, that life insurance coverage is eliminated 31 days after termination of employment. You can purchase up to \$96,000 in life insurance coverage under an individual non-group policy by contacting a Prudential agent within 31 days of your termination of employment.

Conversion: Return to Public Employment

If you return to public employment after the purchase of a conversion policy, you must discontinue your individual conversion policy. If you do not, you will be required to submit satisfactory proof of insurability before you can be covered again in full under a group life insurance policy.

Disability Claims and Group Life Insurance

Your life insurance coverage will continue while your disability retirement benefits are being processed provided that the retirement application was filed within 30 days of terminating your employment.

Group Life Insurance Coverage While Receiving Workers' Compensation Without Pay

If you are disabled due to an illness or injury that is a direct result of your regular job duties, you should immediately apply for an official medical leave of absence. Your group life insurance will automatically continue for the duration of the leave of absence, up to two years. During the interval between the time you are without pay and the actual receipt of a Workers' Compensation award, you must be on an authorized leave of absence granted by your employer.

WITHDRAWAL FROM THE RETIREMENT SYSTEM

When Membership Ends

Your active membership in the SPRS ends if:

- you retire or die;
- you end your employment and withdraw your contributions from the system; or

- you have less than ten years of service credit and have not been contributing to the system for two years (two years is the limit for inactive membership before an account is expired).

If your membership has been inactive for two years and you have not filed for and received a withdrawal of your contributions, the Division of Pensions and Benefits will send an expiration notice to your last known address (and a copy to your last employer in case they have a more current address) to remind you that your money is still in the system. You should then file an *Application for Withdrawal* for the return of your pension contributions.

If you return to employment covered by a different retirement system administered by the State of New Jersey before the two-year period ends, you have the option of an interfund transfer if you otherwise qualify (see page 1). Should you return to covered employment after your account has expired or you have withdrawn your account, you will be treated as a new member in all respects. If you return to the system, after withdrawal of a former account, you may purchase service credit from the former membership.

Withdrawing Contributions

If you terminate covered employment before retirement, you may withdraw all your contributions less any outstanding loan or other obligations. You may withdraw only the money you have contributed and no partial withdrawal is permitted. Upon your withdrawal, all rights and privileges of membership end. Since the employer/employee relationship must be severed, no withdrawal will be paid if there are unresolved legal matters concerning your termination of employment. To withdraw, you must file a properly completed *Application for Withdrawal*, which is available from your employer, or the Division of Pensions and Benefits.

In accordance with federal law, income tax must be withheld on certain pension distributions that produce an annual taxable income of \$200 or more unless the taxable amount is directly rolled over into an individual retirement account (IRA) or a new employer's retirement plan (if applicable). To qualify, this direct rollover must occur within 60 days of the withdrawal check date. If payment is made directly to you, the taxable portion is subject to 20 percent federal income tax withholding. In addition, if you receive payment before you reach age 59½ and you do not roll it over, you may have to pay an extra tax equal to 10 percent of the taxable portion of any payment. If you have any questions concerning this federal law, call the Internal Revenue Service at 1-800-829-1040.

You may call the Division of Pensions and Benefits Automated Information System at (609) 777-1777 for general information concerning withdrawals or information pertaining to your particular withdrawal

claim. If you are age 55 or have at least ten years of service credit when you file for withdrawal, you must waive any rights you have to a retirement or death benefit. This written waiver is part of a letter, which states the amount of retirement, and death benefits to which you are entitled if you do not withdraw.

No withdrawal application can be processed until all the necessary information has been received from you and your former employer.

WORKERS' COMPENSATION WITHOUT PAY

As long as you are receiving periodic Workers' Compensation benefits, you retain the same status as an active member. Unless the employer/employee relationship is severed, you cannot withdraw from the retirement system while receiving Workers' Compensation, have a claim pending, or be involved in litigation regarding Workers' Compensation. Your employer is obligated by statute to pay your full pension contribution based on the salary you were receiving immediately before the receipt of Workers' Compensation benefits. Your employer is not obligated, however, to make voluntary contributions such as loans and arrears payments.

If you indicate that you are receiving Workers' Compensation the Division is required to send you an additional retirement benefit waiver form.

The voluntary resignation or retirement of an employee receiving any kind of Workers' Compensation frees the employer from pension contributions on behalf of the member. If you have further questions regarding Workers' Compensation, please contact your employer.

APPEALS

If you wish to appeal any administrative decision, address your appeal to: Secretary to the Board of Trustees, State Police Retirement System, New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

If you disagree with the determination of the Board of Trustees, you may request a formal hearing before an Administrative Law Judge within the Office of Administrative Law, by sending a written statement to the Board of Trustees within 45 days from the date of the Board's decision. State in detail the reasons for your disagreement with the Board's determination and submit any and all supporting documentation if you have not already done so. If no such written statement is received within the 45-day period, the determination shall be considered final.

When the Board of Trustees reviews your request for a hearing, it determines whether the matter involves

contested facts or is solely a question of law. If the appeal involves solely a question of law, a formal administrative hearing is not likely to be approved. In that case, the Board shall reject your request for an administrative hearing and issue detailed findings of fact and conclusions of law. These findings and conclusions will become the Board's final administrative determination and may be appealed to the Superior Court, Appellate Division.

If the Board of Trustees approves your request for a formal administrative hearing, the Board will submit the matter to the Office of Administrative Law for a hearing. Upon completion of this hearing, the Administrative Law Judge will submit to the Board an initial decision that the Board may adopt, reject, or modify. If the Board rejects or modifies the initial decision, it shall issue detailed findings of fact and conclusions of law, which will become the Board's final administrative determination. This decision may then be appealed to the Superior Court, Appellate Division.

PLAN INFORMATION

Name of Plan

The State Police Retirement System of New Jersey.

Administration

The State Police Retirement System is a defined benefit plan administered by the New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295, (609) 292-7524.

Provisions of Law

The State Police Retirement System was established by New Jersey Statutes and can be found in the New Jersey Statutes Annotated, Title 53, Chapter 5A. Changes in the law can only be made by an act of the State Legislature. Rules governing the operation and administration of the system may be found in Title 17, Chapter 5 of the New Jersey Administrative Code.

Funding

The funds used to pay benefits come from three sources: employer contributions, employee contributions, and investment income from those contributions. Contributions are made by the State on behalf of contributing State employees. All contributions not required for current operations are invested by the State Division of Investment.

Plan Year

For record keeping purposes, the plan year is July 1 through June 30.

Service of Legal Process

Legal process may be served on the Director of the Division of Pensions and Benefits who is the adminis-

trator of the system at the address shown on the next page.

Employment Rights Not Implied

Membership in the State Police Retirement System does not give you the right to be retained in the employ of the New Jersey State Police, nor does it give you a right of claim to any benefit that you have not accrued under the terms of the system.

Benefits and provisions of the system are subject to change by the legislature, courts, and other officials. While this booklet outlines the benefit and contribution schedules of the State Police Retirement System, it is not a final statement. Complete terms governing any employee benefit program are set forth in the New Jersey Statutes Annotated. Regulations, new or amended, are published in the New Jersey Register by the State Office of Administrative Law supplementing the New Jersey Administrative Code.

CONTACTING THE DIVISION OF PENSIONS AND BENEFITS

Telephone Numbers

- For computerized information about your individual account 24 hours a day, seven days a week, call our Automated Information System at (609) 777-1777. All you need is your Social Security number and a touch-tone phone to hear personalized information about loans, withdrawals, retirement benefits, purchase costs, and your account with the retirement system.
- To speak with a counselor about pensions or the State Health Benefits Program, call (609) 292-7524, Monday through Friday, between 9 AM and 4 PM (except State holidays). If you are hearing impaired, call the TDD at (609) 292-7718.
- To speak with a plan representative about the Supplemental Annuity Collective Trust (SACT), call (609) 633-2031, or for the New Jersey State Employees Deferred Compensation Plan, call (609) 292-3605, Monday through Friday between 8:15 AM to 4:30 PM (except State holidays). They can answer your questions about the plans and provide enrollment and distribution forms.
- If you have a fax machine and want a form or publication faxed to you, call our Fax on Demand Service at (609) 777-1931, 24 hours a day, seven days a week from a touch-tone phone. To learn the number code of the publication you want, you will need the Fax on Demand catalog, which can be obtained by requesting fax selection number 8000. After obtaining the number code, select the option to go directly to Fax on Demand. When prompted, enter the four-digit fax selection number

along with the area code and number of your fax machine. You will be able to choose up to three fax selections per call.

- If you are a retired member who needs to change your mailing address, call (609) 292-6683 Monday through Friday between 9 AM and 4 PM (except State holidays). You can change your address over the telephone.

Mailing Address

Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. On all correspondence, be sure to include your membership number or Social Security number.

Counseling Services

The Division of Pensions and Benefits offers individual counseling services to members of the retirement systems and other benefit programs. No appointments are taken. Counselors are available Monday through Thursday from 8:40 AM to 4:00 PM and Friday from 9:00 AM to 4:00 PM. The office is located on the first floor at:

**One State Street Square
50 West State Street
Trenton, NJ**

Internet and E-mail

Most publications of the Division of Pensions and Benefits may be found on the Internet at www.state.nj.us/treasury/pensions or you may e-mail the Division at: pensions_nj@tre.state.nj.us

DIRECTIONS

DIRECTIONS TO THE DIVISION OF PENSIONS AND BENEFITS

The Division of Pensions and Benefits is located at 50 West State Street (One State Street Square) which is one half-block east of the State House. The directions below will take you to the parking garage next door to the Division of Pensions and Benefits. You must pay to park here.

When leaving the garage, walk to the door next to the elevator and you will be facing the side entrance to One State Street Square. "Check-in" at the front desk on the ground floor and you will be directed to the Office of Client Services.

From Northeast New Jersey via the NJ Turnpike

Take the NJ Turnpike South to Exit 7A. Follow I-195 West until it ends, then follow signs for Route 129. After passing three traffic lights, Route 129 merges with Route 1 North. Take the first exit (Perry Street). At the end of the exit ramp, turn left onto Perry Street. At the 5th traffic light, turn left onto Warren Street. At the second traffic light turn right onto West State Street. At the next corner, turn right onto Chancery Lane. One-half block up is a multilevel parking garage on the left. You must pay to park here. See "When leaving the garage" above to get to the office.

From Northeast New Jersey via Route 1

Take Route 1 South toward Trenton. Just north of Trenton, Route 1 splits into two roads. Stay to the left (do not use Route 1 Alternate). From Route 1 take the Perry Street Exit. At the end of the exit ramp, turn left onto Perry Street. At the fourth traffic light after turning onto Perry Street, turn left onto Warren Street. At the second traffic light, turn right onto West State Street. At the next corner turn right onto Chancery Lane. One-half block up is a multilevel parking garage on the left.

You must pay to park here. See "When leaving the garage" above to get to the office.

From Northwest New Jersey

Take Route 31 South to I-95 South. Take I-95 South to Exit 1 Route 29 South. Follow Route 29 South for five miles to the Calhoun Street Exit. At the first traffic light, turn right onto West State Street. After passing one traffic light, turn left at the next corner onto Chancery Lane. One-half block up is a multilevel parking garage on the left. You must pay to park here. See "When leaving the garage" above to get to the office.

From Southern New Jersey

If using the NJ Turnpike, take Exit 7A and follow the directions from Northeast New Jersey via the NJ Turnpike (above).

If using I-295 North, take Exit 60 to Route 129 and follow the directions for using Route 206 North (below) beginning with Route 129.

If using Route 206 North, about four miles before reaching center-city Trenton take the I-295 Exit but, once on the interstate highway, follow the signs for Route 129, not I-295. After passing three traffic lights, Route 129 merges with Route 1 North. Take the first exit (Perry Street). At the end of the exit ramp, turn left onto Perry Street. At the fifth traffic light, turn left onto Warren Street. At the second traffic light turn right onto West State Street. At the next corner, turn right onto Chancery Lane. One-half block up is a multilevel parking garage on the left. You must pay to park here. See "When leaving the garage" to get to the office.

From the New Jersey Shore

Take I-195 West, then follow the directions from Northeast New Jersey via the NJ Turnpike (above).
